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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 23, 2011

Iran's President Mahmoud Ahmadinejad said Iran will not give up its nuclear ambitions despite new Western sanctions announced this week. He reiterated that contrary to Western claims Iran was pursuing nuclear weapons, "we do not need an atomic bomb." He also denounced European countries that are tightening sanctions on Iran as puppets of a US master and said he was surprised at their moves to isolate Iran's central bank. The US, Britain and Canada announced new sanctions on Iran's energy and financial sectors on Monday and that European Union followed suit on Tuesday in a concerted effort to pressure Iran to halt its nuclear program. Britain banned all transactions with the Central Bank of Iran. In response, Iran's parliament voted to review relations with

Market Watch

The US Commerce Department reported that orders for durable goods continued to fall in October. It reported durable goods orders fell by 0.7% to a seasonally adjusted \$197.68 billion. Durable goods orders in September were revised down to a 1.5% drop from an earlier estimate of a 0.6% decline. Separately, the Commerce Department reported that consumer spending slowed in October as incomes increased at the fastest pace since March. Personal consumption expenditures grew by just 0.1% in October following a 0.7% increase in September. US incomes meanwhile increased by 0.4% last in October following a 0.1% increase in the prior month. The price index for personal consumption expenditures increased 2.7% on a year on year basis in October but fell 0.1% on the month. The core PCE index increased 1.7% on the year in October.

The US Labor Department reported that initial unemployment benefit claims increased by 2,000 to a seasonally adjusted 393,000 in the week ending November 19th. The four week moving average of new claims fell by 3,250 to 394,250. The report showed that the number of continuing unemployment benefit claims increased by 68,000 to 3,691,000 in the week ending November 12th. The unemployment rate for workers with unemployment insurance for the week ending November 12th remained flat at 2.9%.

The Mortgage Bankers Association said its seasonally adjusted index of mortgage application activity fell 1.2% in the week ending November 18th following a 10% drop the previous week.

The Federal Reserve Bank of Kansas City's monthly manufacturing index stood at 4 in November, down from 8 in October.

The Thomson Reuters/University of Michigan Surveys of Consumers' final November consumer sentiment index fell to 64.1 from 64.2 in the preliminary November report. However it is up from 60.9 in October.

Markit reported that private business activity in the euro zone fell for a third consecutive month in November. Its flash euro zone composite PMI increased to 47.2, marking its third month below the 50 level. Separately, industrial new orders in the euro zone registered their largest decline in September since December 2008. It fell by 6.4%.

The HSBC flash manufacturing purchasing managers' index fell in November to 48, a low not seen since March 2009.

JPMorgan Chase & Co lowered its Brent and US crude price forecasts for 2012. It cut its WTI price forecast for next year to \$107/barrel from \$110/barrel and cut its Brent crude price forecast to \$112/barrel from \$115/barrel.

Goldman Sachs said the Seaway oil reversal will put WTI back into focus as crude oil flows from Cushing on its way to the US Gulf Coast, adding near term WTI-Brent spreads looked to narrow to be sustained. It narrowed its 12 month target for the WTI-Brent spread target to minus \$5/barrel and its 3 month target to minus \$13/barrel.

Barclays Capital reported that China's oil demand would increase to 13.6 million bpd in the next five years from 9.4 million bpd last year.

DOE Stocks

Crude – down 6.219 million barrels
Distillate – down 770,000 barrels
Gasoline – up 4.475 million barrels
Refinery runs – up 0.7%, at 85.5%

Britain after its imposed sanctions on its central bank.

Separately, Iran's foreign ministry dismissed a US news report implicating it in a chemical weapons cache uncovered in Libya. A foreign ministry spokesman was responding to a report in the Washington Post newspaper that quoted an anonymous US official saying special artillery shells made by Iran and filled by Libya with mustard gas had been discovered

in two sites in recent weeks.

OPEC's Secretary General Abdalla el-Badri said OPEC has sufficient spare capacity to meet any increase in short term demand.

Iraq's Deputy Prime Minister for Energy, Hussain al-Shahristani said Iraq will discuss production quotas with OPEC in 2014 and added that its limits will demand on market conditions.

President Barack Obama said the US welcomed the signing by Yemeni President Ali Abdullah Saleh of an agreement under which he immediately transferred power to the country's vice president.

Refinery News

IIR Energy reported that US oil refiners are expected to shut 558,000 bpd of capacity in the week ending November 25th, down from 683,000 bpd of shut capacity the week before.

Colonial Pipeline is allocating its main gasoline line north of Collins, Mississippi for Cycle 67.

Kinder Morgan Partners said the Trans Mountain oil pipeline is overbooked by shippers during December. Shippers did for three times the amount of space available on the pipeline running from Alberta to Vancouver and Washington State. A total of 229,000 bpd will be shipped on the main line, 116,000 bpd to the Puget Sound leg to Washington States refineries and 40,000 bpd to the Westridge dock in Vancouver's port.

BP Plc warned of planned flaring at its 265,000 bpd refinery in Carson, California. The flaring is scheduled from November 27 to December 27. BP was continuing planned work at the refinery.

ConocoPhillips reported a co-generation unit shutdown due to an upset at its 247,000 bpd refinery in Sweeny, Texas. The units were returning to operation.

ExxonMobil reported a release of hydrogen cyanide exceeded the permissible limit at its 149,500 bpd refinery in Torrance, California. It said the refinery was continuing its operations and production was not impacted.

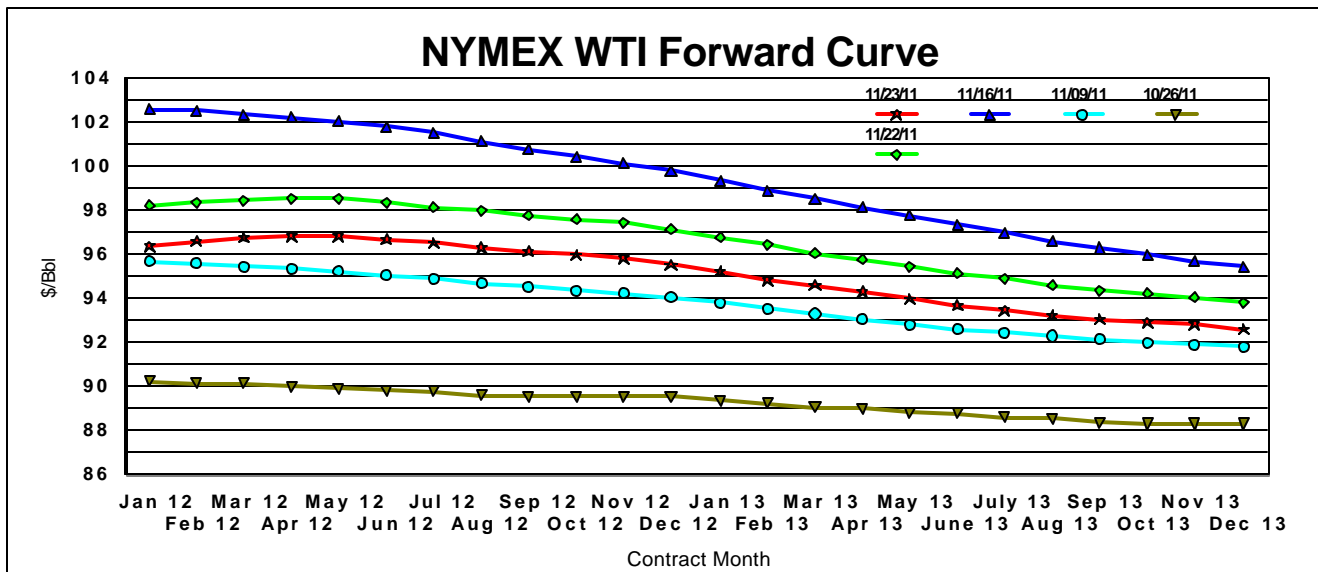
Motiva Enterprises reported a release of hydrogen sulfide due to a flange leak at its 234,700 bpd Norco, Louisiana refinery.

PBF Energy reported sulfur dioxide emissions at its 182,200 bpd refinery in Delaware City, Delaware.

Total's 158,000 bpd La Mede refinery in France is scheduled to shutdown between January 23rd until March 3rd for upgrade work affecting some work.

Syncrude Canada is working to resume operations after a coker unit at its oil sands upgrader in Alberta was disrupted.

**November
Calendar Averages**
CL - \$96.74
HO - \$3.0810
RB - \$2.5987



PetroChina plans to process 1.5 million metric tons of oil a month at its Dalian refinery in November and December.

South Korea's Korea National Oil Corp reported that the country's crude imports in October increased by 8.3% on the year to 82.97 million barrels or 2.68 million bpd. It reported that oil product exports increased by 1.7% on the year to 34 million barrels, with gasoline accounting for 4.9 million barrels and diesel accounting for 14.8 million barrels. It reported that crude runs in October increased 5.5% on the year to 80.95 million barrels. South Korea's commercial crude oil stocks increased by 114.7% to 16.91 million barrels.

A Western Canadian native group has filed a motion to delay hearings into Enbridge Inc's oil pipeline to the Pacific Coast. It said Ottawa is wrong in its assessment that the proposed project would bring economic benefits.

Production News

Libya's Bouri offshore oil field has resumed production. The field resumed output at 10,000 bpd on Tuesday and is expected to reach full capacity of 40,000 bpd in mid-December.

Libya's National Oil Corp will inform the winners for its 2012 crude oil contracts within the next two weeks. Separately, a subsidiary of Libya's National Oil Corp issued a tender to sell 1 million barrels of Sarir grade crude oil.

Iraq's State Oil Marketing Organization stated that the country is planning to increase its crude oil exports to 2.75 million bpd next year compared with a target of 2.2 million bpd this year. It is targeting to export 2.27 million bpd from southern oil fields and 480,000 bpd from northern oil fields. However, SOMO has concluded term crude contracts to sell nearly 3 million bpd in 2012, up 15% on the year.

BP's oil and natural gas output in Azerbaijan in January-September 2011 fell compared to the same period last year due to repair work on some drilling platforms. Daily production at Azeri-Chirag-Guneshli fields fell by 9.3% to 757,500 bpd in January-September 2011 from 835,100 bpd last year.

A preliminary export schedule showed that Russia would cut Urals crude oil supplies from the Baltic Sea port of Primorsk in the first 11 days of December to 1.9 million tons, down from 2.2 million tons in the first 11 days of November. Urals exports from Novorossiisk are expected to increase to 1.26 million tons, up from 960,000 tons in November.

Turkey's Petroleum Corporation signed a contract with Royal Dutch Shell Plc for oil and gas exploration in the Mediterranean and southeastern Anatolia.

The chief executive of Chevron's Brazilian unit said the company acted as responsibly as possible once it learned of the drilling accident that spilled over 2,000 barrels of oil into the ocean.

Market Commentary

Once again the European debt crisis proved to be the dominant market mover, as prices shrugged off a 6.2 million barrel decline in crude oil inventories. Manufacturing figures in Europe and China fell, an indication that demand will shrink. Volume was light ahead of the U.S. Thanksgiving Holiday weekend. The gap between WTI and Brent narrowed slightly; last trading at -\$11.11. As we draw closer to year's end, volume should lessen as book squaring winds down. So far this market has lacked the inability to sustain itself above \$100 a barrel. We would look for crude oil to hold above \$89.16, the 50% retracement level of \$74.95 and \$103.37. To the upside, there is psychological resistance up around \$100.00. Should prices successfully trade above the previous high of \$103.37, market sentiment will shift to the upside. At this point we would look for a test at \$114.83

Crude oil: Jan 12 339,048 +7,445 Feb 12 82,756 +3,928 March 12 95,850 +370 Total 1,276,661 +13,104 Heating oil: Dec 11 43,938 -6,809 Jan 12 83,775 +2,015 Feb 12 35,781 +1,321 Totals 293,411 -3,717 Rbob: Dec 11 39,866 -3,616 Jan 12 84,392 +2,077 Feb 12 27,982 +1,779 Totals 285,650 +1,612

| Crude Oil | | Heating Oil | | Rbob | |
|-------------------|--------------|-------------|------------|---------|------------|
| Support | Resistance | Support | Resistance | Support | Resistance |
| 9493 | 9960 | 26975 | 32777 | 24240 | 33369 |
| 8917 | 10134 | 26680 | 33370 | 23631 | 35915 |
| 8507 | 11483 | 27375 | 33510 | 23414 | 36310 |
| 8337 | | 23685 | | | |
| 7570 | | 22960 | | | |
| 7487 | | | | | |
| 7365 | | | | | |
| 50-day MA | 89.29 | | | | |
| 100-day MA | 89.84 | | | | |
| 200-day MA | 95.51 | | | | |

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